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Macroeconomic policy questions: international financial system and development

Algeria:* draft resolution

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007, 63/205 of 19 December 2008, 64/190 of 21 December 2009, 65/143 of 20 December 2010 and 66/187 of 22 December 2011,

Recalling also the United Nations Millennium Declaration[1] and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development,[2] the Rio Declaration on Environment and Development,[3] Agenda 21,[4] the Programme for the Further

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

[1] Resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference* (United Nations publication, Sales No. E.93.I.8 and corrigendum), resolution 1, annex I.

[4] Ibid., annex II.

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Please recycle

Implementation of Agenda 21[5] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[6]

Recalling further the Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha from 29 November to 2 December 2008,[7]

Recalling the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome document,[8]

Recalling also the high-level plenary meeting of the General Assembly on the Millennium Development Goals and its outcome document,[9]

Recalling further the United Nations Conference on Sustainable Development, held in Rio de Janeiro, Brazil, from 20 to 22 June 2012 and its outcome document entitled "The future we want",[10]

Recognizing the work undertaken by the Ad Hoc Open-ended Working Group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development, and taking note of its progress report,[11] and reiterating the need to ensure proper follow-up to the outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development and the decision to explore the most efficient modalities for the intergovernmental follow-up process of that Conference,

Expressing deep concern over the adverse impact of the ongoing world financial and economic crisis on developing countries, which highlighted long-standing systemic fragilities and inequalities in the global financial markets, and stressing that the recovery has been threatened by new circumstances, including the deepening and widespread fiscal strains in the economies of developed countries, as well as the excessively expansionary monetary policies pursued by central banks of developed countries, and that the systemic problems facing the global economy have to be resolved, including through the full accomplishment of the reform of the global financial system and architecture,

Expressing deep concern also over the future possible impacts on developing countries of the current sovereign debt crisis in Europe, which is costly and disruptive, including for employment and productive investment, and is being followed by cuts in public spending,

Noting that, while some developing countries have been the main contributors to recent global economic growth, the economic crisis has reduced their capacity to withstand further shocks, recalling the commitments made to support strong,

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[5] Resolution S-19/2, annex.

[6] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

[7] Resolution 63/239, annex.

[8] Resolution 63/303, annex.

[9] Resolution 65/1.

[10] Resolution 66/288, annex.

[11] A/64/884.

sustainable, balanced and inclusive growth, and reaffirming the need to work cooperatively to meet development commitments to achieve the Millennium Development Goals by 2015,

Reaffirming the purposes of the United Nations, as set forth in its Charter, including to achieve international cooperation in solving international problems of, inter alia, an economic and social character and to be a centre for harmonizing the actions of nations in the attainment of common ends, and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Emphasizing the urgent need for the United Nations to assume a central and proactive role in global economic governance, and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Reiterating that the international financial system should support sustained, inclusive and equitable economic growth, sustainable development, the creation of jobs and efforts to eradicate poverty and hunger in developing countries, while allowing for the coherent mobilization of all sources of financing for development,

Recalling the Fourth United Nations Conference on the Least Developed Countries and the Programme of Action for the Least Developed Countries for the Decade 2011-2020,[12] and recognizing, in this context, that the international financial system should be supportive, as appropriate, of the special needs and priorities of the least developed countries, and that the international financial and trade architecture should be supportive of and responsive to the special needs and priorities of the least developed countries and that there should be enhanced coordination and coherence among the different policy areas of the international development architecture, including official development assistance, trade, foreign direct investment, debt and finance, taking into account new and emerging challenges,

Stressing the importance of commitment to ensuring sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

1. *Takes note* of the report of the Secretary-General;[13]

2. *Reiterates* the urgent need and commitment to enhance the coherence and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained, inclusive and equitable economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals;

3. *Stresses* the need to act decisively to tackle the challenges confronting the global economy in order to ensure balanced, sustainable, inclusive and equitable global growth with full and productive employment and quality jobs, and also stresses the need for significant mobilization of resources from a variety of sources in order to promote full and productive employment and decent work for all;

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[12] *Report of the Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9-13 May 2011* (United Nations publication, Sales No. 11.II.A.1), chap. II.

[13] A/67/187.

4. *Expresses serious alarm* over the substantial increase in the financial stability risks of many developed economies, and in particular their high structural fragilities in financing sovereign debt created in part as a result of transferring private risk to the public sector, and calls for urgent and coherent solutions to reduce sovereign risk in developed economies to prevent contagion and to mitigate its impact on the international financial system;

5. *Notes with concern* that the ongoing economic and financial crisis continues to threaten growth, productive investments and jobs in developing countries;

6. *Notes* the important efforts undertaken nationally, regionally and internationally to respond to the challenges posed by the financial and economic crisis, and recognizes that more needs to be done in order to ensure a full return to growth with full and productive employment and quality jobs, to reform and strengthen financial systems, to create strong, sustained and balanced global growth and to ensure sustainable development;

7. *Also notes* that the United Nations, on the basis of its universal membership and legitimacy, provides a unique and key forum for discussing international economic issues and their impact on development, and reaffirms that the United Nations is well positioned to participate in various reform processes aimed at improving and strengthening the effective functioning of the international financial system and architecture, while recognizing that the United Nations and the international financial institutions have complementary mandates which make the coordination of their actions crucial;

8. *Recalls*, in this regard, the resolve to strengthen the coordination of the United Nations system and multilateral financial, trade and development institutions so as to support economic growth, poverty eradication, the creation of jobs and sustainable development worldwide, on the basis of a clear understanding of and respect for their mandates and governance structures;

9. *Also recalls* that countries must have the flexibility necessary to implement countercyclical measures and to pursue tailored and targeted responses to the crisis, and calls for conditionalities to be streamlined to ensure that they are timely, tailored and targeted and that they support developing countries in the face of financial, economic and development challenges;

10. *Further recalls*, in this regard, the improvement of the lending framework of the International Monetary Fund through, inter alia, streamlined conditions and the creation of more flexible instruments, such as a precautionary and liquidity line, while also noting that new and ongoing programmes should not contain unwarranted procyclical conditionalities;

11. *Urges* the multilateral development banks to continue to move forward on flexible, concessional, fast-disbursing and front-loaded instruments that will substantially and quickly assist developing countries facing financing gaps in their efforts to achieve the Millennium Development Goals, taking into consideration the individual absorptive capacities and debt sustainability of those countries;

12. *Notes with concern* that both private and official capital flows to developing countries remain unpredictable;

13. *Recognizes* the role of private capital flows in mobilizing financing for development, stresses the challenges posed by excessive short-term capital inflows to many developing countries, recognizes the necessary policy space for the adoption of macroprudential and capital control measures available to mitigate the impact of volatile capital flows, and requests the Secretary-General to take this into account in preparing his report on the implementation of the present resolution;

14. *Notes* that countries can seek to negotiate, as a last resort, on a case-by case basis and through existing frameworks, agreements on temporary debt standstills between debtors and creditors in order to help to mitigate the adverse impacts of the crisis and to stabilize macroeconomic developments;

15. *Encourages* the establishment of international statutory mechanisms to facilitate timely debt restructuring and debt resolution and to provide greater clarity concerning the rules by which sovereign debt restructuring and debt resolution will occur, thereby contributing to international financial stability;

16. *Reaffirms* the importance of ensuring the full participation of developing countries in international economic and financial decision-making and norm-setting, and in this regard takes note of important but still insufficient decisions on reform of the governance structures, quotas and voting rights of the Bretton Woods institutions, and reiterates the importance of a much more ambitious reform process of the governance structure of those institutions and of an accelerated road map for further reforms on the voice, participation and enhanced voting power of developing countries based on an approach that truly reflects their development mandate and delivers more effective, credible, accountable and legitimate institutions;

17. *Notes*, in this regard, the decisions taken by the World Bank Group on voice and participation and further institutional reforms to meet new challenges, and the addition of the twenty-fifth Chair to the Boards of Executive Directors of the World Bank Group, looks forward to progress in its institutional reforms, and calls for the swift implementation of the 2010 quota and governance reform of the International Monetary Fund;

18. *Stresses* the importance of the comprehensive review of the quota formula to better reflect the current realities and ensure the full voice and participation of developing countries in a manner that results in a meaningful increase in the quota shares of developing countries, without such an increase coming at the expense of other developing countries;

19. *Reiterates* the importance of an open, transparent and merit-based process for selecting the heads of the International Monetary Fund and other international financial institutions;

20. *Emphasizes* the need for more government action and public surveillance so as to ensure an appropriate regulation of the market that promotes the public interest, and in this regard recognizes the need to better regulate financial markets to promote economic stability and ensure the soundness of the financial system and its correspondence with the real economy;

21. *Stresses* that the current international reserve system based on a single national currency contributes to economic imbalances and market instability, takes note of proposals for reforming the current system, including with regard to the functions of expanded special drawing rights, encourages continued discussion on

this issue, and requests the Secretary-General to prepare a detailed study on the feasibility of a more efficient and equitable reserve system, including a stronger role for regional commercial and reserve arrangements, and contingent facilities for balance of payments problems;

22. *Reiterates* that effective, inclusive multilateral surveillance should be at the centre of crisis prevention efforts, and stresses the need to continue strengthening surveillance of financial policies of countries;

23. *Stresses* in this regard the need to strengthen intergovernmental and independent surveillance of developed countries' financial policies and their impact, inter alia, on international interest rates, exchange rates and capital flows, including private and public financing in developing countries;

24. *Recognizes* the need for better coordination of financial and economic policies at the international level to tackle pressing financial and economic challenges;

25. *Stresses* the need to increase information-sharing, transparency and the use of objective criteria in the construction and evaluation of debt scenarios, including an assessment of domestic public and private debt, in order to ensure the achievement of development goals, recognizes that credit-rating agencies play a significant role in the provision of information, including the assessment of corporate and sovereign risks, and in this regard reiterates the invitation to the President of the General Assembly to convene a thematic debate on the role of credit-rating agencies in the international financial system, and requests the Secretary-General to report on new and ongoing measures to establish new or improve existing credit-rating agencies and their capacity to accurately assess the creditworthiness of borrowers;

26. *Invites* the international financial and banking institutions to continue enhancing the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant institutions, including the United Nations Conference on Trade and Development, to continue their work on the issue, including its potential impact on the development prospects of developing countries;

27. *Calls upon* the multilateral, regional and subregional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, stresses that strengthened regional development banks and subregional financial institutions can add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and in this regard welcomes recent capital increases at multilateral and regional development banks and, in addition, encourages efforts to ensure that subregional development banks are adequately funded;

28. *Encourages* enhanced regional and subregional cooperation, including through regional and subregional development banks, commercial and reserve currency arrangements and other regional and subregional initiatives;

29. *Stresses* the need to continuously improve standards of corporate and public sector governance, where appropriate in a manner consistent with national legislation, including those related to accounting, auditing and measures to ensure transparency, particularly in the fiscal field, noting the disruptive effects of inadequate policies;

30. *Requests* the Secretary-General to submit to the General Assembly at its sixty-eighth session a report on the implementation of the present resolution, to be prepared in cooperation with the Bretton Woods institutions and other relevant stakeholders;

31. *Decides* to include in the provisional agenda of its sixty-eighth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".